HOUSING MARKET INFORMATION

# HOUSING NOW
## Canada

CANADA MORTGAGE AND HOUSING CORPORATION

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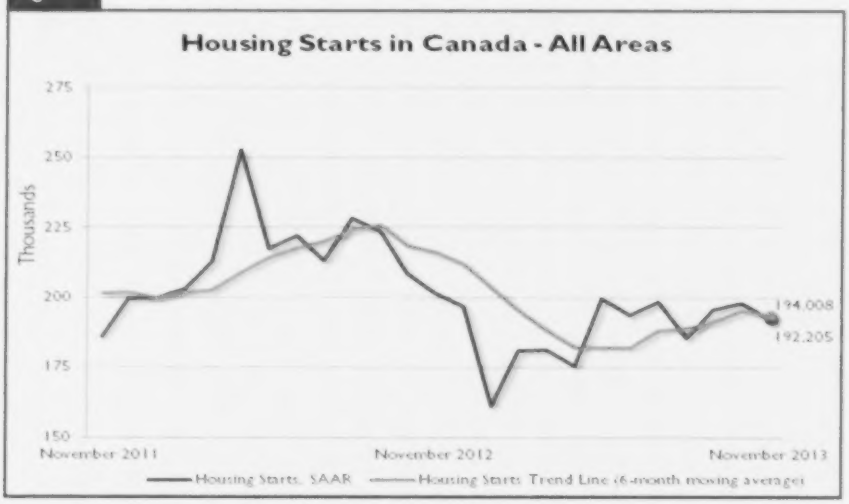
## Highlights

- Housing starts were trending[1] at 194,008 units in November compared to 195,274 units in October.
- The stand-alone monthly SAAR[2] was 192,205 units in November, down from 198,159 units in October.
- The inventory of new and unabsorbed housing units per 10,000 population declined in the third quarter from the second quarter.

Figure 1




Source: CMHC; seasonally adjusted at annual rates (SAAR).

[1]The trend is a six-month moving average of the monthly seasonally adjusted annual rates (SAAR) of housing starts. CMHC uses the trend measure as a complement to the monthly SAAR of housing starts to account for considerable swings in monthly estimates and obtain a more complete picture of the state of the housing market. In some situations, analyzing only SAAR data can be misleading, as they are largely driven by the multiples segment, which can be quite volatile.

[2]All starts figures in this report, other than actual starts and the trend estimate, are seasonally adjusted annual rates (SAAR) — that is, monthly figures are adjusted to remove normal seasonal variation and multiplied by 12 to reflect annual levels. By removing seasonal ups and downs, seasonal adjustment makes it possible to highlight the fundamental trends of a series. Reporting monthly figures at annual rates indicates the annual level of starts that would be obtained if the monthly pace was maintained for 12 months. This facilitates comparison of the current pace of activity to annual forecasts as well as to historical annual levels.

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## New Home Market

Housing starts in Canada were trending at 194,008 units in November compared to 195,274 in October. The trend in total housing starts has increased slightly since July, before essentially stabilizing in November. Overall, housing starts have been following a trend similar to sales on the existing home market, but with a lag. As sales have risen relative to listings of existing homes in recent months, buyers are increasingly meeting their needs in the new home market, providing support to housing starts.

### *Urban starts decreased while rural starts held steady*

In Canada's urban centres[3], the seasonally adjusted annual rate of housing starts was 171,317 units in November, a decrease from 177,311 units in October.

The seasonally adjusted annual rate of muli-family starts in urban areas saw a decline of 3.5 per cent to 111,006 units in November, while urban single-detached starts registered a similar decline of 3.1 per cent to 60,311 units.

In rural areas, the estimated seasonally adjusted annual rate of housing starts essentially held steady at 20,888 units in November compared to 20,848 units in October.

### *Inventory of new and unabsorbed housing units per 10,000 population declined in the third quarter*

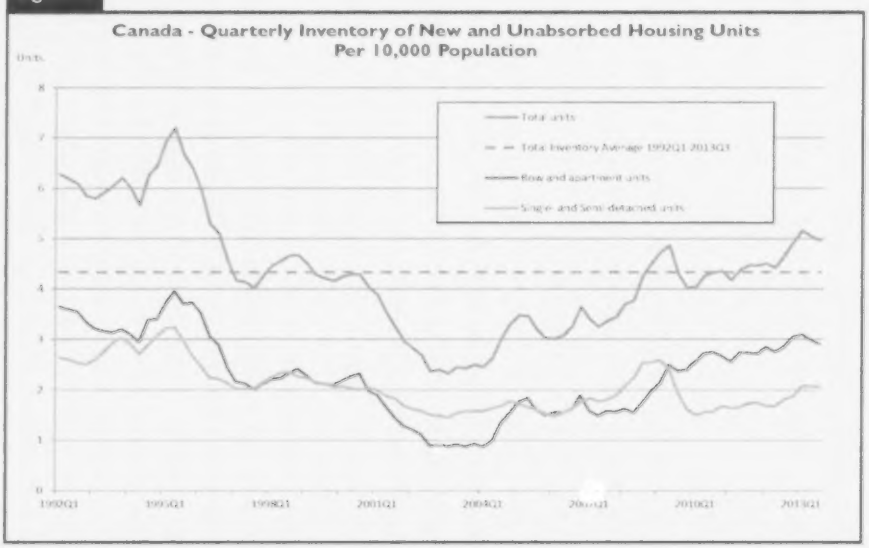
The ratio of the inventory of new and unabsorbed units[4] to population, a simple gauge of potential overbuilding, stood at 5.0 units per 10,000 population in the third quarter of 2013, a slight decline from 5.1 units in the second quarter. The ratio had trended away from the historical average over the second half of 2012 and in the first quarter of 2013, but has since trended back towards the historical average of 4.3 units (see Figure 2).

Without adjusting for population or seasonality, the inventory of new and unabsorbed housing units was up 5.3 per cent in November when compared to November 2012. The unadjusted inventory of single- and semi-detached units was 11.5 per cent, while the inventory of row and apartment units was 1.4 per cent above the level registered a year ago.

### *Construction intentions[5] increased*

The seasonally adjusted value of residential building permits for all dwelling types registered a second consecutive increase in October, rising by 6.4 per cent from September. However, despite these recent gains, the value of residential building permits in October remained below the value recorded in May 2013.

Figure 2




Data are seasonally adjusted and annualized, and cover Canada's major markets
Sources: CMHC
Last data point: 2013Q3

[3] Urban centres are defined as centres with a population of at least 10,000. CMHC surveys urban centres with 10,000 to 49,999 inhabitants at the end of every quarter. Months that are not at the end of a quarter are estimates.

[4] The level of inventories discussed here is for urban centres with a population of 50,000 and over. The inventory of housing units is defined as a snap-shot of the level of newly completed and unabsorbed units at a specific time. A unit is defined as "absorbed" when an agreement is made to buy the dwelling. The definition of this concept was recently updated. Prior to 2013, a unit was defined as "absorbed" when an agreement was made to buy or rent the dwelling. However, data on absorption for multiple dwelling units intended for rent was not always available. Supply conditions in the owner and rental markets are now collected under separate, dedicated surveys (see CMHC's *Rental Market Survey* for rented accommodation and CMHC's *Starts and Completions Survey* for owned accommodation). In addition, the series' name was changed from "newly completed and unoccupied" to "newly completed and unabsorbed" as a result of the move towards counts based on the existence of a binding contract.

[5] Statistics Canada conducts a building permits survey among 2,400 municipalities. These permits measure construction intentions and can serve as indicators of future starts.

The seasonally adjusted value of multi-family and single family permits also increased for a second consecutive month in October, posting respective gains of 8.4 per cent and 4.7 per cent.

On a year-over-year basis, the total seasonally adjusted value of residential building permits was up 9.2 per cent in October, largely reflecting an 18.3 per cent year-over-year increase in the value of multi-family permits. The value of single-family permits saw a relatively modest increase of 2.4 per cent when compared to the year-ago value.

In October, Canadian municipalities approved permits for the construction of 225,876 new dwellings (seasonally adjusted annual rate), up 6.9 per cent from September. This was driven by a 12.2 per cent increase in the number of multi-family permits, to 149,580 units. The number of permits issued for single-family dwellings, on the other hand, decreased by 2.1 per cent to 76,296 units.

### *New Housing Price Index (NHPI) growth continued to moderate*

Following no growth in the NHPI between August and September, the index saw an increase of 0.1 per cent between September and October. On a year-over-year basis, the NHPI increased by 1.5 per cent in October when compared to the same month in 2012. This is the lowest year-over-year gain registered since October 2010.

NHPI growth has trended lower over the first ten months of 2013. The average year-over-year gain of 1.8 per cent was lower than the average of 2.4 per cent over the same period in 2012. Similarly, average monthly growth has also moderated so far in 2013, from 0.2 per cent over the first ten months of 2012 to 0.1 per cent over the first ten months of 2013.

Figure 3

Data are seasonally adjusted and annualized, and cover Canada's major markets
Sources: CMHC, Canadian Real Estate Association (CREA), MLS®
Last data point: November 2013

## Existing Home Market

The average monthly pace of growth in Multiple Listing Service® (MLS®)[6] sales has exceeded the average monthly pace of new listings, so far in 2013. Consistent with these trends, the year-over-year growth rate of existing home price measures have generally trended higher over the course of 2013.

### *MLS® sales saw a slight decline while new listings rose*

The seasonally adjusted annual rate of MLS® sales registered a slight 0.1 per cent decline from October to November, following a stronger decline the previous month. As a result, sales in November were at 470,124 units, down slightly from 470,724 units in October. The seasonally adjusted annual rate of MLS® new listings, on the other hand, increased by 1.8 per cent in November to 879,636 units from 864,132 units in October. The gain in November followed two consecutive declines.

### *Balanced market conditions in November*

An indicator of price pressure in the existing home market is the sales-to-new listings ratio[7]. New listings are a gauge of the supply of existing homes, whereas MLS® sales are a proxy for demand.

[6]Multiple Listing Service (MLS®) is a registered trademark owned by the Canadian Real Estate Association.

[7]Taking the Canadian MLS® market as a whole, a sales-to-new-listings ratio below 40 per cent has historically accompanied prices that are rising at a rate that is less than inflation, a situation known as a buyers' market. A sales-to-new-listings ratio above 55 per cent is associated with a sellers' market. In a sellers' market, home prices generally rise more rapidly than overall inflation. When the sales-to-new-listings ratio is between these thresholds, the market is said to be balanced.

In November, the slight decline in sales along with the increase in new listings kept the sales-to-new listings ratio in balanced market territory, declining to 53.4 per cent from 54.5 per cent in October. The sales-to-new listings ratio has remained at or very close to balanced market conditions since roughly mid-2010 (see figure 3).

### *Resale market prices increased*

The national seasonally adjusted average MLS® price increased by 0.8 per cent in November to $391,997 from $388,882 in October.

In November, the unadjusted average MLS® price increased by 9.8 per cent to $391,085 from $356,293 a year ago. This gain was the strongest year-over-year increase registered since April 2010. However, recent gains largely reflect sales declines that occurred in 2012 in some of Canada's largest and higher-priced markets. In recent months, sales have strengthened in some of these same markets. As a result, recent year-over-year MLS average price gains have increasingly reflected this change in the composition of sales.

The MLS® Home Price Index[8], which uses statistical techniques to control for changes over time in the types and quality of homes sold, increased by 4.1 per cent from November 2012 to November 2013 in the markets covered. This follows a year-over-year gain of 3.5 per cent the previous month. The index registered a gain of 0.3 per cent between October 2013 and November 2013, a tenth consecutive gain.

### *Teranet-National Bank House Price Index increased on a year-over-year basis*

The Teranet–National Bank House Price Index™[9], which also uses statistical techniques to control for changes in the types and quality of homes sold over time, posted a 3.4 per cent increase in November, from the same month in 2012, following a year-over-year gain of 3.1 per cent in October. The recent strengthening of year-over-year price gains is consistent with the MLS® Home Price Index.

The Teranet–National Bank House Price Index™ decreased by 0.1 per cent between October and November, the first monthly decline registered since February of this year.

## Economic conditions

Employment was up by 1.0 per cent in November when compared to the same month in 2012, according to Statistics Canada, representing an increase of 179,100 jobs. Full-time employment recorded an increase of 0.8 per cent when compared to the same month a year before (a gain of 111,400 jobs). Part-time employment saw a year-over-year gain of 2.0 per cent (an increase of 67,600 jobs).[10]

On a monthly basis, employment increased in November by 21,600 jobs when compared to October 2013, a fourth consecutive monthly gain, supporting housing demand.

Statistics Canada's Consumer Price Index rose by 0.9 per cent year-over-year in November, following a 0.7 per cent increase in October. Core inflation, which excludes the eight most volatile items and the effect of changes in indirect taxes, rose by 1.1 per cent year-over-year in October, following an increase of 1.2 per cent in October. This latter measure is used as a predictor of future overall inflation.

On December 4, the Bank of Canada announced that it would maintain the target for the overnight rate unchanged at 1.0 per cent, where it has stood since the announcement made on September 8, 2010. With respect to its latest decision, the Bank of Canada stated that *"The risks associated with elevated household imbalances have not materially changed, while the downside risks to inflation appear to be greater. Overall, the balance of risks remains within the zone articulated in October. Weighing these considerations, the Bank judges that the substantial monetary policy stimulus currently in place remains appropriate and therefore has decided to maintain the target for the overnight rate at 1 per cent."*[11]

The average five-year mortgage interest rate offered by chartered banks was at 5.34 per cent in November for a fourth consecutive month. However, this rate has fluctuated within a range of 5.14 per cent to 5.34 per cent since May 2012.

The next interest rate announcement of the Governing Council of the Bank of Canada is scheduled to take place on January 22, 2014. ■

[8] The MLS® Home Price Index is based on single-family, townhouse/row, and apartment unit sales activity in Greater Vancouver, the Fraser Valley, Calgary, Regina, Greater Toronto and Greater Montréal.

[9] The Teranet-National Bank House Price Index™ is based on housing sales activity in 11 markets, including Halifax, Québec, Montréal, Ottawa-Gatineau, Toronto, Hamilton, Winnipeg, Calgary, Edmonton, Vancouver and Victoria.

[10] The sum of part-time and full-time employment may not equal total employment due to rounding.

[11] For the full text of the press release announcing the Bank of Canada's December 4, 2013 target for the overnight rate, see http://www.bankofcanada.ca/2013/12/publications/press-releases/fad-press-release-2013-12-04/.

# Growth in house prices in Canada: what do different price measures tell us?

This is the second in a series of articles to appear in this publication that discusses Canadian house prices, their measures and their analysis.

The first article, published in the September 2013 Housing Now Canada edition[12], examined the key characteristics of house price measures most widely recognized by the housing industry, including the average Multiple Listing Service price (MLS® average price), the MLS® Home Price Index (MLS® HPI), the Teranet-National Bank House Price Index™ and the Royal LePage House Price Survey.

Differences between price measures can arise as a result of differences in the measures' methods of calculation, the types of homes included and the extent of geographical coverage, among other characteristics. As a result, different measures can diverge even when they are applied to the same urban area and time period. This situation can be very confusing when seeking a single, straightforward answer to the question of "how have home prices changed in a given region over a given time period?" because the various home price measures will often supply very different answers.

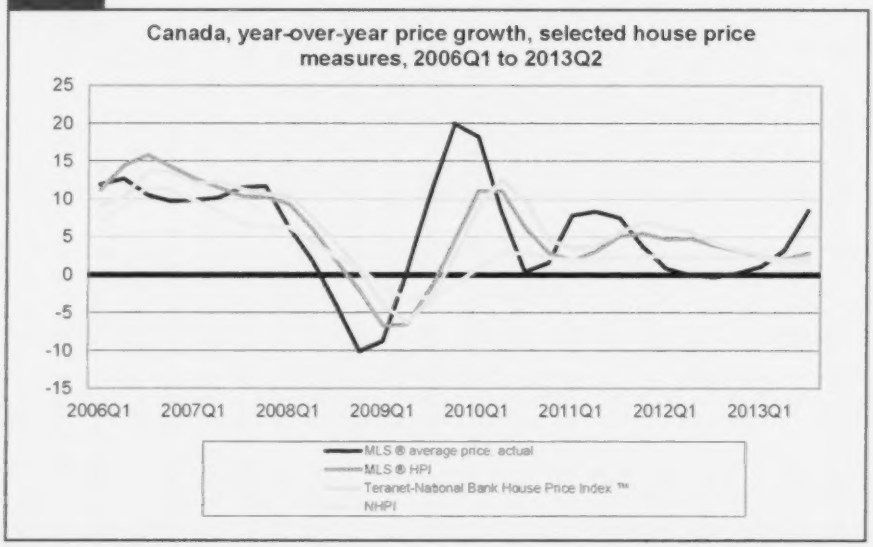
This article discusses the different analytical insights that can arise when growth in various house price measures is examined. What will stand out is that it is preferable to look at the whole range of measures available when assessing house price conditions instead of relying on any single measure.

## Canada (2006Q1-2013Q2)[13]

Figure 4 shows that all measures generally agree on the direction of the trend in home price growth. However, Figure 4 also illustrates two major differences between measures: (1) the timing of changes in the trend and (2) the measured magnitude of year-over-year price changes.

With respect to differences in the timing of changes in the direction of the trend, the MLS® average price leads the adjusted measures. For example, Figure 4 shows that the MLS® average price leads the other measures by at least two quarters when signalling an increase in year-over-year price growth in 2008Q4. Similarly, the MLS® average price signalled a decrease in year-over-year price growth in 2009Q4 ahead of the other price measures by two quarters.

Figure 4




Geographic coverage varies across measures.
Sources: Canadian Real Estate Association MLS®, Statistics Canada, Teranet-National Bank House Price Index™. Calculations by CMHC.

[12] Previous editions of Housing Now, Canada are available at http://www.cmhc.ca/housingmarketinformation/.

[13] The choice of 2006Q1 as the start date of the reference period in Figure 4 is due to the fact that it is the earliest quarter for which it is possible to calculate year-over-year price growth.

The lag between the MLS® average price and the Teranet-National Bank House Price Index™ measure reflects differences in the timeliness of reporting of their respective data sources. The MLS® average price is based on data reported by realtors, who are typically involved early in the sequence of events leading to a sale and so are likely to report price data for the transaction earlier in the sales process, while the Teranet-National Bank House Price Index™ measure is built from data on municipal or transaction registries, which is typically not available until later in the process of closing the transaction. As a result, the sales price of the home can be recorded under different dates for each measure.

More generally, the MLS® HPI, the Teranet-National Bank House Price Index™ and NHPI measures have in common the use of sophisticated statistical analysis, with relatively more stringent data requirements, to produce their measures when compared to the relatively more straightforward calculation of the MLS® average price[14]. In the former case, some of the analytical procedures employed can lead to lags with respect to the MLS® average price. For example, the MLS® HPI, the Teranet-National Bank House Price Index™ and NHPI measures formally incorporate historical data on house prices and home quality to filter and correct the latest reported data, while the MLS® average price does not. As a result of the relatively greater weight placed on past developments when compared to the methodology underlying MLS® average price calculations, the indices will tend to lag the MLS® average price measure.

Figure 4 also shows that the NHPI does not track the other price measures closely, most noticeably since early 2010, as it stabilized while the other price measures continued to register peaks and troughs. This reflects differences in the coverage of the NHPI. In particular, the NHPI focuses exclusively on the price of newly constructed homes, while the other price measures are representative of resale prices for existing homes. As a result, the NHPI comprises dwellings that are typically more at the periphery of urban centres, where new housing developments are more likely to arise due to the greater availability and relative affordability of undeveloped land, rather than the more varied geographical locales that comprise measures based on existing homes.

These differences generally underlie divergences in the trend of the NHPI from the other measures. For example, the stability of NHPI year-over-year growth since early 2010 is consistent with the stable trend in inventories of newly constructed but unabsorbed homes over the same period, as the latter indicates stable demand and supply conditions for new homes. On the other hand, market conditions have been relatively more variable on the existing home market, as measured by changes in the MLS® sales-to-new listings ratio over the same period (see Figure 2 in the front section of Housing Now, showing the time series for Residential MLS® activity in Canada).

In order to focus on the differences in the measured magnitude of year-over-year price changes instead of differences in the timing of changes in the trend, Figure 5 adjusts the non-MLS® average price measures so that the troughs and peaks of these measures become generally coincident with the troughs and peaks of the MLS® average price measure. In order to adjust the measures, the MLS® HPI data was brought forward by one quarter, while the Teranet-National Bank House Price Index™ and NHPI measures were brought forward by two quarters.

Figure 5 indicates that the MLS® average price shows greater variance than other measures. This reflects the fact that the MLS® average price is subject to compositional and quality effects, due to how it is calculated[15]. Compositional effects can arise when demand shifts between the

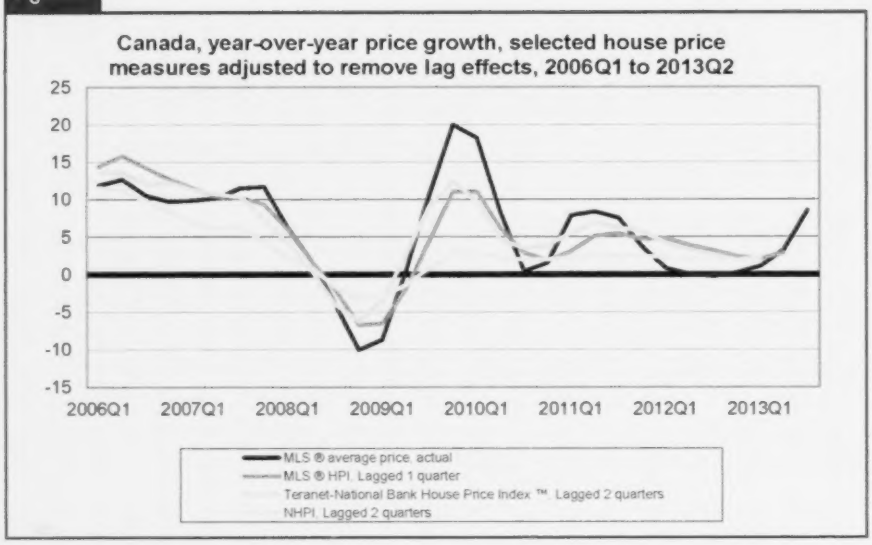
[14] The methodology underlying MLS® average price is different In Quebec, where the Quebec Federation of Real Estate Boards (QFREB) calculates a weighted average price for all residential transactions using average prices by house type. As a result, the MLS® average price for regions in Quebec does control for house quality and compositional effects over house types to some extent, which is not the case for the rest of Canada. For more details, see: QFREB, online: http://www.fciq.ca/pdf/Carrefour/definitions/en/nouvelles_statistiques_fciq_a.pdf

In addition, according to the QFREB: "Since 2008, following the unification of the province's different databases, the Quebec Federation of Real Estate Boards made some important adjustments to its residential real estate statistics. (...) [Hence], the previous statistics compiled by CREA and the new statistics produced by the QFREB are not directly comparable. Most of CREA's time series for the Quebec region began in 1980, and they all ended in 2007. Most of the QFREB's new series began in 2002. Analysts who are used to working with time series should keep in mind that the previous series cannot be combined with the new series without causing a serious discontinuity." Source: QFREB, online: http://www.fciq.ca/pdf/Carrefour/definitions/en/nou¬velles_statistiques_fciq_a.pdf

[15] See the September article for a description of the methodological details. Previous editions of Housing Now, Canada are available at http://www.cmhc.ca/housingmarketinformation/

more expensive and less expensive segments of housing markets. For example, if the sales of relatively less expensive multi-family apartment dwellings increased while the sales of relatively more expensive single-family homes decreased. In such a scenario, the MLS® average price measure could show a decrease in the overall average sales price of homes even if no single home in the region experienced an actual price decline, simply because the share of sales accounted for by the more affordable housing type had increased. On the other hand, the MLS® HPI and the Teranet-National Bank House Price Index™, which control for compositional effects, would not report a decline. Similarly, compositional effects can also arise when there are shifts in the share of sales between relatively more- and less-expensive geographic sub-markets in a given urban area.

Figure 5




Geographic coverage varies across measures.
Sources: Canadian Real Estate Association MLS®, Statistics Canada, Teranet-National Bank House Price Index™. Calculations by CMHC.

Over the long run, however, compositional effects are less likely to drive differences between the MLS® average price and the MLS® HPI and the Teranet-National Bank House Price Index™, as most compositional effects are likely to be short lived. Specifically, a sudden shift in demand towards a particular geographic sub-market or type of dwelling will tend to drive up home prices most strongly in the short run, when the supply of new units in that location or of that type is limited. In response to the increase in prices over that segment of the housing market, some homebuyers will choose other housing options while developers will respond to the price increase by producing more of the newly-favoured types of housing units. These supply and demand responses eventually help moderate the impact on prices.

Compositional shifts concentrated in a specific regional sub-market can nonetheless affect MLS® average prices in larger geographies that contain the region, since local sub-market results are aggregated to produce measures at the city, provincial, and national level. Compositional effects in cities as large as Vancouver, Toronto and Montréal, in particular, can drive divergences between price measures at the national level, reflecting the relative size and importance of those markets.

Figure 5 shows that the Teranet-National Bank House Price Index™ and the MLS® HPI track each other closely with respect to the magnitude of price changes. These two price measures can be expected to reflect each other closely because both measures employ techniques that control for the quality of houses sold as well as compositional effects, although with different methodologies.

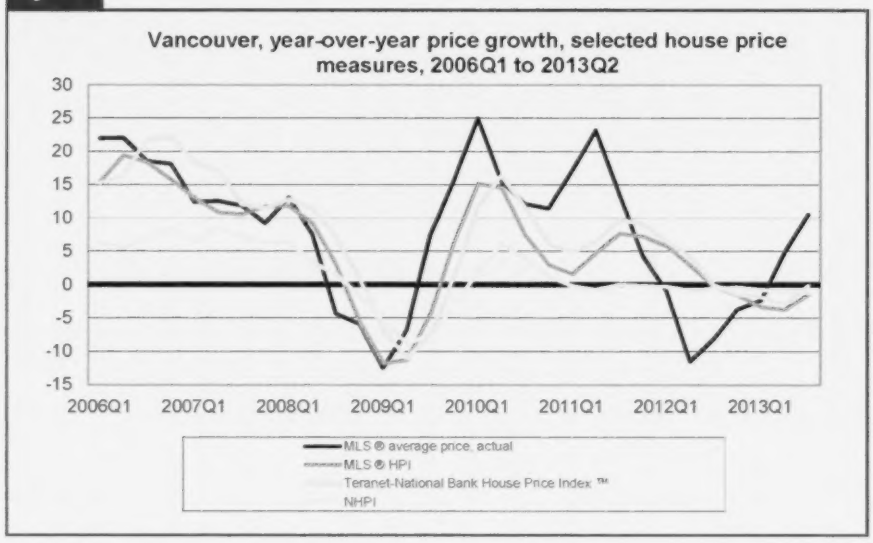
Figure 5 also shows that the NHPI has lower variance than other measures. This likely reflects the fact that the NHPI focuses exclusively on new single-family homes that are generally on the periphery of urban centres, while the other house price measures include more house types across geographic sub-markets. The relative uniformity of geographical coverage and the limited variability of house types considered by the NHPI help explain the low variance of the NHPI relative to the other measures.

## Analytical features of house price measures: a case study of Vancouver, Toronto and Montreal

Most of the analytical features of price measures at the national level are also illustrated in Canada's largest centres of Vancouver, Toronto and Montreal. Similar to the situation depicted at the national level (Figure 4), historical data in Vancouver (Figure 6), Toronto (Figure 7) and Montreal (Figure 8) shows that MLS® year-over-year average price growth has a larger variance than the other measures.

For example, developments in Vancouver over the course of 2006 to the first half of 2013 illustrate how compositional effects can drive the relatively larger variance of the MLS® average price. For example, comparing the periods of 2009Q1-2010Q1 and 2010Q4-2011Q2, Figure 6 shows that the MLS® average price reached very similar peaks of year-over-year price growth in both periods. However, the other price measures behaved differently across periods, registering much lower peaks in the latter period. This reflects the fact that in 2009Q1-2010Q1, compositional effects were largely absent. Instead, pent-up demand that had grown during the economic downturn of 2007-2008 drove price growth once economic conditions improved in 2009. However, in 2010Q4-2011Q2, demand shifted in Vancouver away from relatively less expensive multi-family apartment dwellings towards relatively more expensive single-family homes. As a result, the share of single-family existing home sales increased to 43.8% by the first quarter of 2011 from 39.4% in the first quarter of 2010. This change in the composition of sales in the latter period had the effect of exacerbating year-over-year MLS® average price growth relative to the measures that control for such effects, while the absence of a similar compositional shift in the earlier period allowed the measures to track more closely[16].

Figure 6




Geographic coverage varies across measures.
Sources: Canadian Real Estate Association MLS®, Statistics Canada, Teranet-National Bank House Price Index™. Calculations by CMHC.

Similar reasoning explains the more recent divergence between the MLS® average price and the other price measures. In particular, year-over-year average MLS® growth has been positive and trending higher over the second half of 2013, while year-over-year price growth has stabilized at low negative values for the other measures over the same period. This reflects the emergence of a compositional shift towards a greater share of sales of single-family homes in Vancouver, as well as a shift towards a greater share of sales in the City of Vancouver, which is a relatively more expensive locale when compared to other regions of Vancouver. These compositional shifts have driven the recent divergence between the MLS® average price and the other price measures in Vancouver.

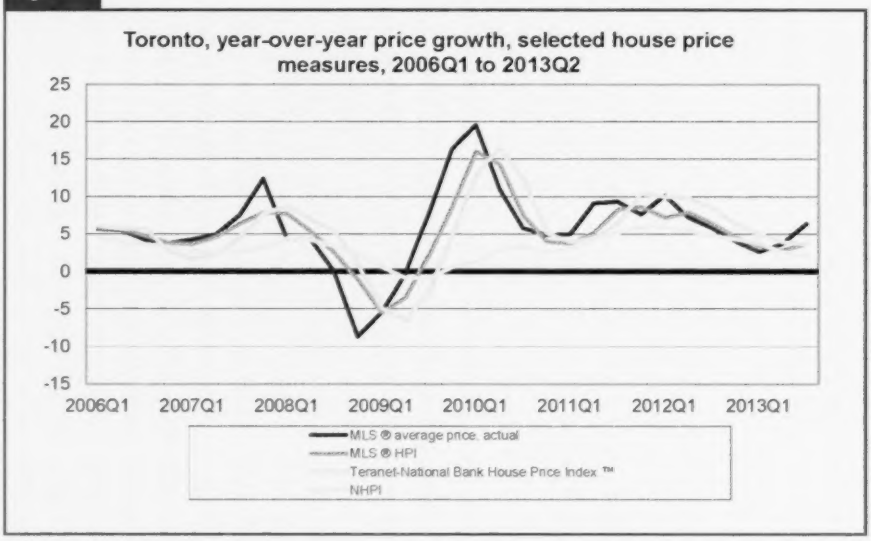
[16] There are differences in the geographic definitions of "Vancouver" used by the two MLS® measures and the other measures. In particular, the NHPI covers the Census Metropolitan Area (CMA) of Vancouver, while the Teranet-National Bank House Price Index™ covers a similar area. However, the MLS® average price and MLS® HPI cover a smaller geography than the CMA of Vancouver. MLS® data for Vancouver is provided by the Greater Vancouver Real Estate Board, which excludes Surrey and other areas of Metro Vancouver that are covered by the Fraser Valley Real Estate Board.

As Figure 7 and Figure 8 illustrate for Toronto and Montreal, respectively, the MLS® average price and other measures have tracked each other more closely in these urban centres since roughly the end of 2009 than has been the case in Vancouver. This suggests that compositional effects have been relatively less prevalent in Toronto and Montreal in recent years.

Table 1 shows the key data points confirming the observations drawn from Figures 4 through 8: the MLS® average price has the largest magnitude of variability in year-over-year price growth, followed by the very similar magnitudes of the MLS® HPI and the Teranet-National Bank House Price Index™, while the NHPI displays the lowest magnitude of variability across all the areas considered. In addition, the turning points in the MLS® measure of year-over-year average prices tends to lead the turning points of other measures by 1 to 2 quarters, in general.

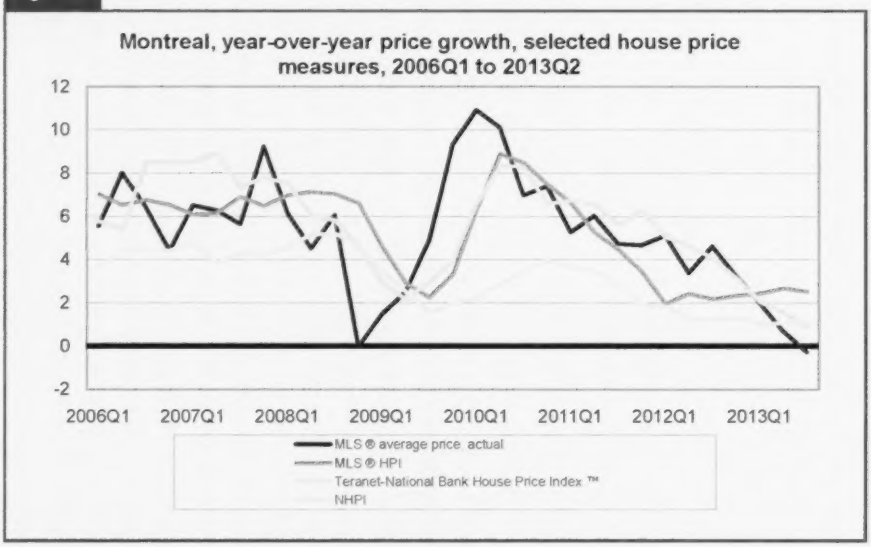
Table 1 also highlights that each region has its own set of characteristics that differentiate the cities considered from each other and from the national context. In particular, the magnitude of variability in Vancouver exceeds magnitudes in Toronto, Montreal and at the Canada level for all price measures considered. The magnitude of variability in Toronto is roughly similar to national magnitudes for most price measures, with the exception of lower NHPI variability when compared to Canada-level NHPI variability. Meanwhile, Montreal has the lowest magnitude of variability of all the areas considered, remaining well below national magnitudes.

Figure 7




Geographic coverage varies across measures.
Sources: Canadian Real Estate Association MLS®, Statistics Canada, Teranet-National Bank House Price Index™. Calculations by CMHC.

Figure 8




Geographic coverage varies across measures.
Sources: Canadian Real Estate Association MLS®, Quebec Federation of Real Estate Boards, Statistics Canada, Teranet-National Bank House Price Index™. Calculations by CMHC.

In addition, Table 1 shows that the gap between the magnitudes of variability of the average MLS® price and the NHPI measures is similarly wide in Vancouver and Toronto (21 and 22 percentage points, respectively) when compared to the narrow gap in Montreal (7 percentage points). This may suggest that the unique coverage details of the NHPI, which can lead to divergences in price growth from the other measures, are particularly significant in Vancouver and Toronto. This may indicate that the new and existing housing markets are more strongly regimented as distinct sub-markets in Toronto and Vancouver than in Montreal.

## Growth in House Prices in Canada: Conclusion

The differences in the characteristics of house price measures can give rise to differences in their assessment of housing conditions, as indicated by house price growth. For this reason, no single house price measure should be considered in isolation. Instead, it is preferable to consider these measures as complements, taking into account the whole range of measures to assess house price conditions in Canada.

**Table 1 : Key year-over-year price growth characteristics of price measures over longest common time period (2006Q1-2013Q2)**

| | | Region | | | |
|---|---|---|---|---|---|
| **House Price Measure** | | **Canada** | **Vancouver** | **Toronto** | **Montréal** |
| **MLS® average price, actual** | Minimum | -10.1 | -12.5 | -8.7 | -0.3 |
| | Maximum | 20.0 | 24.9 | 19.6 | 10.9 |
| | Magnitude | 30.1 | 37.4 | 28.3 | 11.2 |
| **MLS® HPI** | Minimum | -6.7 | -11.7 | -5.5 | 1.9 |
| | Maximum | 15.8 | 19.4 | 16.0 | 8.9 |
| | Magnitude | 22.5 | 31.1 | 21.5 | 6.9 |
| **Teranet-National Bank House Price Index™** | Minimum | -6.3 | -11.0 | -6.6 | 0.9 |
| | Maximum | 13.6 | 22.1 | 16.5 | 8.9 |
| | Magnitude | 19.9 | 33.1 | 23.1 | 8.0 |
| **NHPI** | Minimum | -3.2 | -8.8 | -0.9 | 1.0 |
| | Maximum | 11.6 | 8.4 | 6.0 | 5.2 |
| | Magnitude | 14.7 | 17.2 | 6.9 | 4.2 |
| **Quarterly lag of each price index relative to MLS® average price** | MLS® HPI | 1 | 1 | 1 | 1 |
| | Teranet-National Bank House Price Index™ | 2 | 1 | 2 | 1 |
| | NHPI | 2 | 1 | 2 | 3 |

# This Month's Housing Data (SAAR)

| | 2012 | Q1:13 | Q2:13 | Q3:13 | M09:13 | M10:13 | M11:13 |
|---|---|---|---|---|---|---|---|
| **Housing starts, units, 000s** | | | | | | | |
| **Canada. Total. All areas** | **214.8** | **175.5** | **186.2** | **193.6** | **195.8** | **198.2** | **192.2** |
| Per cent change from previous period | 10.8 | -13.8 | 6.1 | 4.0 | 5.5 | 1.2 | -3.0 |
| **Canada. Total. Rural areas** | **21.3** | **17.0** | **17.3** | **18.7** | **18.5** | **20.8** | **20.9** |
| Per cent change from previous period | 8.5 | -21.4 | 2.0 | 7.8 | 16.0 | 12.9 | 0.2 |
| **Canada. Total. Urban areas** | **193.6** | **158.5** | **168.9** | **174.9** | **177.3** | **177.3** | **171.3** |
| Per cent change from previous period | 11.0 | -12.9 | 6.6 | 3.6 | 4.5 | 0.0 | -3.4 |
| **Canada. Single. Urban areas** | **67.2** | **63.2** | **62.7** | **62.8** | **63.3** | **62.2** | **60.3** |
| Per cent change from previous period | 0.1 | -2.9 | -0.8 | 0.1 | 1.3 | -1.7 | -3.1 |
| **Canada. Multiple. Urban areas** | **126.4** | **95.3** | **106.2** | **112.2** | **114.0** | **115.1** | **111.0** |
| Per cent change from previous period | 17.8 | -18.5 | 11.5 | 5.7 | 6.3 | 0.9 | -3.5 |
| **Newfoundland. Total. All areas** | **3.9** | **2.7** | **3.1** | **2.5** | **2.7** | **3.8** | **3.6** |
| Per cent change from previous period | 11.4 | -24.7 | 12.3 | -17.1 | 3.5 | 40.4 | -4.7 |
| **Prince Edward Island. Total. All areas** | **0.9** | **0.9** | **0.7** | **0.5** | **0.7** | **0.4** | **0.6** |
| Per cent change from previous period | 0.1 | -4.0 | -18.9 | -37.8 | 202.6 | -46.1 | 49.1 |
| **Nova Scotia. Total. All areas** | **4.5** | **4.6** | **3.5** | **4.1** | **5.1** | **4.0** | **1.6** |
| Per cent change from previous period | -2.6 | -11.0 | -25.1 | 17.8 | 117.3 | -21.0 | -61.2 |
| **New Brunswick. Total. All areas** | **3.3** | **3.4** | **2.8** | **2.8** | **3.0** | **3.2** | **3.4** |
| Per cent change from previous period | -4.4 | 16.3 | -17.4 | -2.1 | -20.5 | 8.0 | 3.8 |
| **Quebec. Total. All areas** | **47.4** | **35.9** | **38.4** | **36.7** | **38.4** | **36.7** | **37.2** |
| Per cent change from previous period | -2.1 | -20.3 | 6.9 | -4.5 | 11.6 | -4.5 | 1.5 |
| **Ontario. Total. All areas** | **76.7** | **56.7** | **58.2** | **65.5** | **60.4** | **70.6** | **59.5** |
| Per cent change from previous period | 13.2 | -18.2 | 2.6 | 12.6 | -15.4 | 16.9 | -15.7 |
| **Manitoba. Total. All areas** | **7.2** | **6.8** | **7.4** | **8.4** | **9.1** | **7.4** | **9.0** |
| Per cent change from previous period | 19.1 | 6.1 | 8.4 | 13.6 | 82.7 | -18.2 | 21.3 |
| **Saskatchewan. Total. All areas** | **10.0** | **6.6** | **7.5** | **11.0** | **14.4** | **9.1** | **6.7** |
| Per cent change from previous period | 41.8 | -40.7 | 14.8 | 46.7 | 36.8 | -36.6 | -26.2 |
| **Alberta. Total. All areas** | **33.4** | **33.7** | **39.2** | **32.1** | **30.8** | **37.2** | **42.2** |
| Per cent change from previous period | 29.9 | -2.2 | 16.2 | -18.0 | 7.2 | 20.7 | 13.6 |
| **British Columbia. Total. All areas** | **27.5** | **24.0** | **25.4** | **30.0** | **31.2** | **25.7** | **28.4** |
| Per cent change from previous period | 4.0 | -1.8 | 5.6 | 18.1 | 17.0 | -17.5 | 10.5 |

SOURCE: CMHC, Starts and Completions Survey. All data are seasonally adjusted and annualized. This seasonally adjusted data goes through stages of revision at different times through the yearly cycle resulting in finalization of preliminary data. These revisions take place at the end of each month, quarter and year.

# This Month's Housing Data, continued (SAAR)*

| | 2012 | Q1:13 | Q2:13 | Q3:13 | M09:13 | M10:13 | M11:13 |
|---|---|---|---|---|---|---|---|
| **Housing starts, units, 000s** | | | | | | | |
| **Canada. Total. Urban areas** | 193.6 | 158.5 | 168.9 | 174.9 | 177.3 | 177.3 | 171.3 |
| **Newfoundland. Total. Urban areas** | 2.5 | 1.7 | 2.0 | 1.8 | 2.0 | 2.8 | 2.4 |
| **Prince Edward Island. Total. Urban areas** | 0.7 | 0.8 | 0.5 | 0.3 | 0.5 | 0.3 | 0.3 |
| **Nova Scotia. Total. Urban areas** | 3.9 | 4.2 | 3.0 | 3.6 | 4.6 | 3.4 | 1.3 |
| **New Brunswick. Total. Urban areas** | 2.5 | 2.8 | 2.1 | 1.7 | 1.9 | 2.0 | 2.4 |
| **Quebec. Total. Urban areas** | 40.5 | 30.0 | 31.7 | 30.4 | 31.7 | 30.4 | 30.7 |
| **Ontario. Total. Urban areas** | 74.4 | 55.0 | 56.2 | 62.5 | 57.8 | 68.2 | 56.9 |
| **Manitoba. Total. Urban areas** | 4.9 | 5.1 | 5.9 | 6.8 | 7.6 | 5.1 | 6.7 |
| **Saskatchewan. Total. Urban areas** | 7.9 | 5.8 | 6.4 | 10.1 | 13.3 | 7.7 | 5.3 |
| **Alberta. Total. Urban areas** | 30.6 | 30.5 | 36.9 | 29.1 | 28.2 | 33.4 | 38.4 |
| **British Columbia. Total. Urban areas** | 25.5 | 22.7 | 24.2 | 28.6 | 29.7 | 24.0 | 26.9 |

SOURCE: CMHC, Starts & Completions Survey. All quarterly and monthly data are seasonally adjusted and annualized.This seasonally adjusted data goes through stages of revision at different times through the yearly cycle resulting in finalization of preliminary data. These revisions take place at the end of each month, quarter and year.

# This Month's Major Housing Indicators

| | 2012 | Q1:13 | Q2:13 | Q3:13 | M09:13 | M10:13 | M11:13 |
|---|---|---|---|---|---|---|---|
| **New Housing** | | | | | | | |
| **New & unabsorbed singles & semis, units 000s** | 6.7 | 7.5 | 7.0 | 7.0 | 7.0 | 7.2 | 7.3 |
| Per cent change from same period previous year | 7.5 | 24.7 | 24.7 | 15.6 | 15.6 | 14.0 | 11.5 |
| **New & unabsorbed row & apartments, units 000s** | 10.7 | 10.8 | 10.4 | 10.0 | 10.0 | 10.2 | 10.3 |
| Per cent change from same period previous year | -17.0 | 10.5 | 9.9 | 3.2 | 3.2 | 0.1 | 1.4 |
| **New House Price Index, 2007=100** | 108.0 | 109.3 | 109.7 | 110.2 | 110.2 | 110.3 | n.a. |
| Per cent change from same period previous year | 2.3 | 2.1 | 1.8 | 1.7 | 1.6 | 1.5 | n.a. |
| **Existing Housing** | | | | | | | |
| **MLS® resales*, units 000s** | 454.5 | 427.4 | 454.2 | 481.4 | 486.5 | 470.7 | 470.1 |
| Per cent change from same period previous year | -1.2 | -10.3 | -3.4 | 8.7 | 10.8 | 8.3 | 10.2 |
| **MLS® average resale price**, 000s** | 363.4 | 367.4 | 372.8 | 388.5 | 392.6 | 388.9 | 392.0 |
| Per cent change from same period previous year | 0.3 | 1.1 | 2.7 | 8.1 | 8.3 | 7.6 | 9.4 |
| **Mortgage Market** | | | | | | | |
| **Posted 1-Year Mortgage Rate, % (period average)** | 3.17 | 3.00 | 3.05 | 3.14 | 3.14 | 3.14 | 3.14 |
| **Posted 5-Year Mortgage Rate, % (period average)** | 5.27 | 5.21 | 5.14 | 5.27 | 5.34 | 5.34 | 5.34 |

SOURCE: CMHC, Statistics Canada, Bank of Canada, The Canadian Real Estate Association.

n.a. Figures not available.

* Annual data is actual. Quarterly and monthly data are seasonally adjusted and annualized (SAAR).

** Annual data is actual. Quarterly and monthly data are seasonally adjusted.

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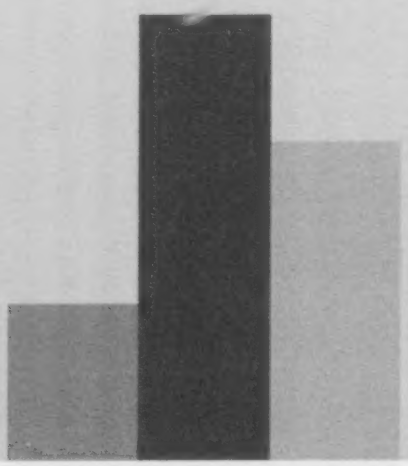

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